

Cross Timbers Business Report

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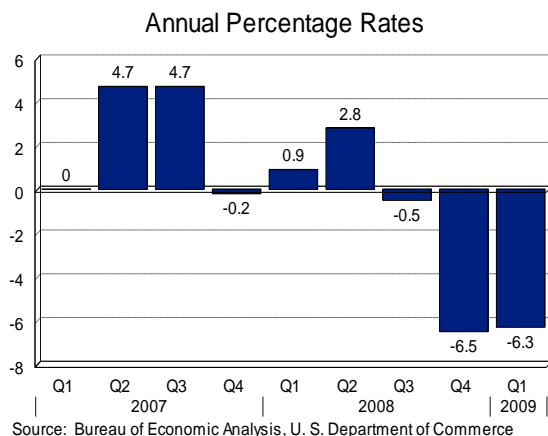
Spring 2009

Economic Decline Signals Lingering Recession

By Nelly DiCiccio

The first quarter of 2009 registered another decline in real gross domestic product (GDP), the nation's official measure of economic growth. The first quarter posted a negative 6.3 percent growth rate marking a slight improvement over the negative 6.5 percent rate witnessed during the last quarter of 2008 but measuring far less than the .9 percent growth rate recorded during the first quarter of last year. GDP has now fallen for three consecutive quarters, which has not happened since the recession of 1974-1975.

Changes in Real GDP



GDP is heavily affected by consumption, which makes up 70 percent of the economic scoreboard, and consumer spending increased by 2.2 percent in the first quarter after dropping 4.3 percent in the previous period. Durable goods purchases rose by 9.4 percent after dropping 22.1 percent in the last quarter of 2008, while non-durable goods purchases climbed by 1.3 percent. Service spending increased by 1.5 percent.

The housing sector took a huge hit in the first quarter with residential fixed investment dropping 38.0 percent. Business investment spending plunged 37.9 percent over this span.

U.S. exports of goods and services plummeted 30.0 percent for the first quarter of this year, but imports of goods and services fell even more with a decrease of 34.1 percent.

Federal government spending decreased by 4.0 percent for the first quarter compared to the 7.0 percent gain in the previous period. State and local government outlays dropped 3.9 percent.

GDP data are collected and reported by the Department of Commerce on a quarterly basis. A final estimate will be posted following two revisions.

Nelly DiCiccio is pursuing a Master of Business Administration degree at Tarleton State University.

First Quarter Price Increases Ease Deflationary Fears

By Jack Reynolds

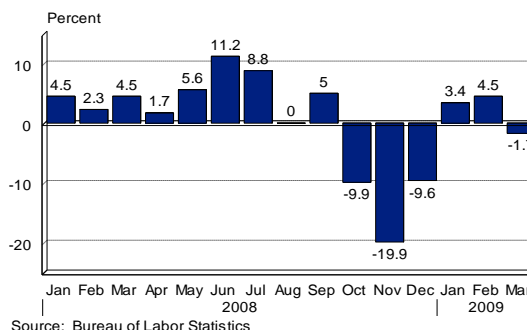
For the first time in more than fifty years, U.S. consumers are paying less on average for goods and services than they were a year ago.

The consumer price index (CPI), a measure of the average prices of goods and services purchased by households, increased at an average annual rate of 2.1 percent during the first quarter of 2009.

Despite the first quarter gain, consumer prices were 0.4 percent lower this March than they were the same month last year, the first time the annual rate has fallen since 1955. Although, the annual rate of inflation fell, the current rate is well within the range that most econ-

INFLATION RATES

(Annual Changes in Consumer Prices)



omists consider optimal, arguably 2 percent, and the chairman of the Federal Reserve Board, Ben Bernanke, recently suggested that inflation will remain low.

As the global economic downturn deepens and government stimulus money takes its time percolating through the economy, deflation is more worrisome than inflation. That's why the first quarter rise in consumer prices was met with optimism in some quarters.

Others worry that without the one-time change in tobacco prices (up 11 percent) which accounted for

more than 60 percent of the rise in the CPI, prices would have fallen precipitously. Most, however, believe that prices will remain relatively stable for the foreseeable future.

The consumer price index is the nation's most-often quoted inflation statistic and is released by the Bureau of Labor Statistics on a monthly basis.

Jack Reynolds is a junior majoring in economics at Tarleton State University.

Local Unemployment Rates Fall Below State and National Figures

By Kresslyn Sanders

The first quarter of 2009 showed unemployment rates for the United States and Texas continuing to increase. After closing the fourth quarter of 2008 with a 7.2 percent rate, the U.S. jobless figure climbed to 8.5 percent by March. The unemployment rate for March 2008 was 5.1 percent.

Texas also experienced an increase in its unemployment rate and closed the first quarter of 2009 with a 6.7 percent figure. The state's average jobless rate for the first quarter of 2009 was 6.5 percent, which lies well above the 4.5 percent value posted for the same period in 2008.

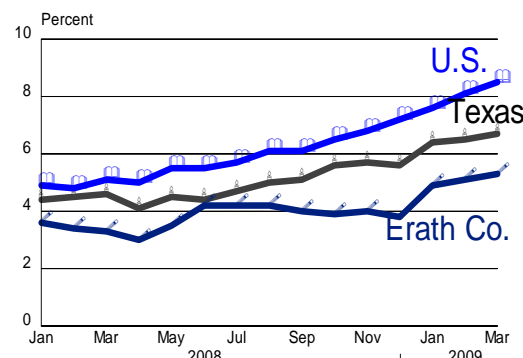
Cross Timbers counties exhibited jobless rates at or below state and national values during 2009's first quarter. Bosque County reported the highest average unemployment figure over this span, while Hamilton County noted the lowest.

Erath County's unemployment rate increased from 3.8 percent at the end of 2008 to 5.3 percent in March of 2009. This year's 5.1 percent average jobless rate for the first quarter lies well above the 3.4 percent figure posted last year.

Bosque County's average jobless rate rose from 4.2 percent in the first quarter of 2008 to 6.7 percent for the same period this year. Eastland County reported an average jobless rate of 6.2 percent for the

January-March span of 2009. This value lies well above the 4.3 percent figure posted last year.

UNEMPLOYMENT RATES



Sources: U.S. Bureau of Labor Statistics and Texas Workforce Commission

Comanche County also noted an adverse movement in unemployment between 2008 and 2009. Its average jobless rate of 3.7 percent for the first quarter 2008 deteriorated to a 5.3 percent value for the same period this year. Hamilton County's average jobless rate rose slightly from 3.8 percent in the first quarter of 2008 to 4.3 percent for the same time period in 2009.

The U.S. Bureau of Labor Statistics accumulates and posts national and state unemployment statistics on a monthly basis, while the Texas Workforce Commission reports county information. The national and state statistics are adjusted for normal seasonal fluctuations, while county figures are unadjusted.

Kresslyn Sanders is a senior majoring in business administration at Tarleton State University

The College of Business Administration at Tarleton State University presents the Cross Timbers Business Report (<http://www.tarleton.edu/cobaweb/ctbr/index.html>) as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society, as well as other involved students. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail beaty@tarleton.edu.

Recessionary Pressures Weaken Texas Industrial Output

By Lucero Ruiz

The Texas Industrial Production Index rose slightly between February 2008 and this February, but this year's value lies significantly below its peak level reached in July of last year. Contributing to the

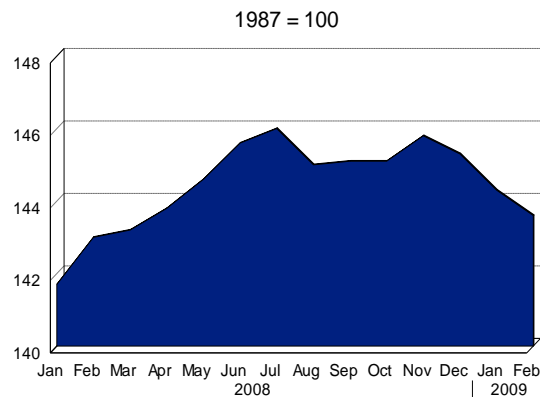
increase since last February were strong gains in nondurable goods manufacturing and utilities production, which offset a decline in durable goods output and stagnation in the mining sector.

Nondurable goods production and utilities output both increased by 1.9 percent between February 2008 and February 2009. Production of nondurable goods declined by 0.8 percent, and mining, which includes petroleum production weakened by 0.1 percent.

The Federal Reserve Bank of Dallas compiles and publishes estimates of Texas industrial output on a monthly basis. All index values are adjusted for normal seasonal variation.

Lucero Ruiz is a senior majoring in human resource management at Tarleton State University.

TEXAS INDUSTRIAL PRODUCTION



Gross Sales Climb Through Third Quarter

By DeAnna Bray

Gross sales, the total volume of all sales, leases and rentals of personal property and all labor and service charges, increased in all five Cross-Timbers counties through the first nine months of 2008, continuing the upward trend of the previous year.

Bosque County showed the largest increase of gross sales over the past two years, displaying a 70.1 percent gain to \$302.3 million. This figure represents a 77.8 percent increase over the 2006 sales total.

Comanche County saw a 12.2 percent sales increase to \$183.3 million between 2007 and 2008. Last year's total represents a 21.2 percent growth over the 2006 aggregate.

Erath County's gross sales of \$673.0 million in 2008 represent an 8.5 percent increase over the previous year and a 17.1 percent advance over the 2006 sales figure.

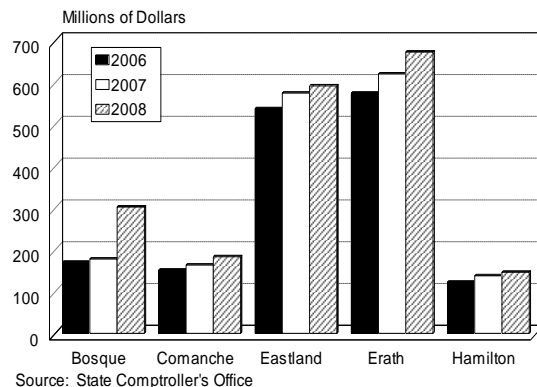
Hamilton County also saw moderate growth in gross sales with a 6.1 percent increase to \$146.1 million. Last year's value represents 19.3 percent gain over the value posted in 2006.

Eastland County showed the smallest increase of any Cross Timbers county with its 3.0 percent growth over 2007 bringing the 2008 gross sales value to \$592.1

million. Last year's total reveals a 10.2 percent gain over the same period in 2006.

GROSS SALES

Area Counties, January-September



Area sales values are reported by the State Comptroller's Office, typically with a five to six month lag between the end of a quarter and the release of that period's data.

DeAnna Bray is a senior marketing major at Tarleton State University

Population Trends Vary between Area Counties

By Lindsey Zapalac

Over the last twenty years, three of the five counties comprising the Cross Timbers area have seen increases in population. Four area counties reported gains over the past ten years.

Census data show Erath County with the largest increase. Its 2008 population of 35,870 represents gains of 13.6 percent and 39.6 percent over 1998 and 1988 values.

Bosque County showed an increase of 7.3 percent in the last ten years. This growth brought its total to 17,760 in 2008, which is an increase of 17.6 percent since 1988.

Comanche County's 2008 population of 13,483 declined by 0.6 percent from 1998 but advanced by 2.9 percent over the 1988 figure.

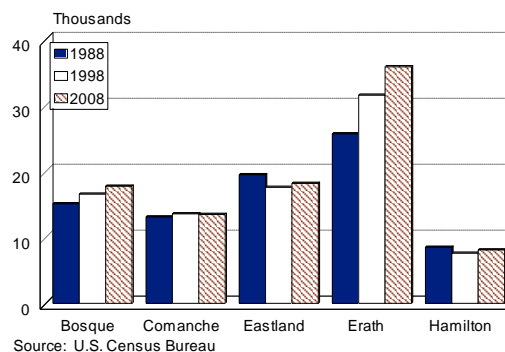
Hamilton, the least populous Cross Timbers county showed a 2008 population estimate of 8,092, which represents an increase of 6.4 percent over 1998 but a decline of 4.8 percent below 1988.

Eastland showed the greatest percentage decrease in population over the past 20 years. Its estimated 2008

population of 18,186 represents a gain of 3.4 percent over the 1998 value but shows a loss of 6.7 percent when compared to the 1988 figure.

POPULATION

Cross Timbers Counties



Lindsey Zapalac is a junior majoring in business administration at Tarleton State University

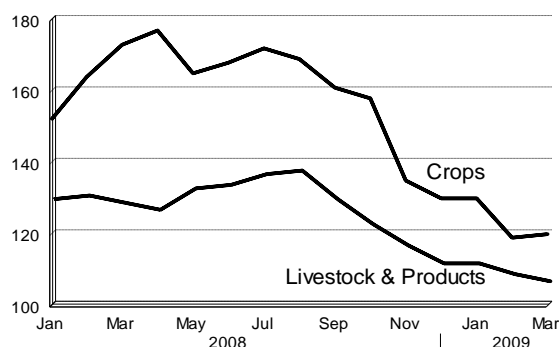
Price Declines Squeeze Farmers' Purchasing Power

By Matt Hillman

Texas farmers and ranchers experienced sharp decreases in the prices of crops, livestock and livestock products over the past year. These declines, coupled with steady prices of agricultural inputs, resulted in a weakening of the purchasing power of farm products.

INDEX NUMBERS OF PRICES

Received by Texas Farmers and Ranchers (1990-1992=100)



The index representing the average prices for all Texas farm products decreased from 143 percent of the

1990-1992 level in March 2008 to 111 percent in March 2009 which translates to a 22.4 percent decrease. The crop price index dropped by 31 percent, from 173 in March 2007 to 120 this March.

Most evident to Erath County farmers were movements in wholesale milk and beef cattle prices. Milk prices decreased from \$18.20 per hundredweight in March 2008 to \$12.10 this March, reflecting a 33.5 percent decline. Beef cattle prices averaged \$78.40 per hundredweight this March compared to \$87.70 the same month last year.

The index of prices received by all U.S. farmers declined 13.7 percent over the past year, while the index of prices paid remained constant. These movements resulted in a decline in the purchasing power ratio of farm products from 83.9 percent of the 1990-1992 level last March to 72.4 percent this year.

The Texas Agricultural Statistics Service collects and reports output and price levels of key agricultural products on a monthly basis.

Matt Hillman is pursuing a Master of Business Administration degree at Tarleton State University